

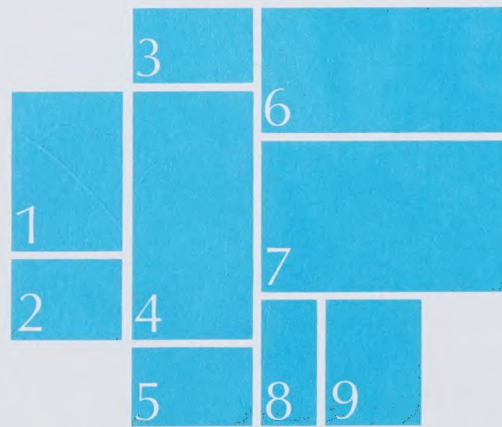
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Canadian Manoir
INDUSTRIES LIMITED

ANNUAL REPORT 1971

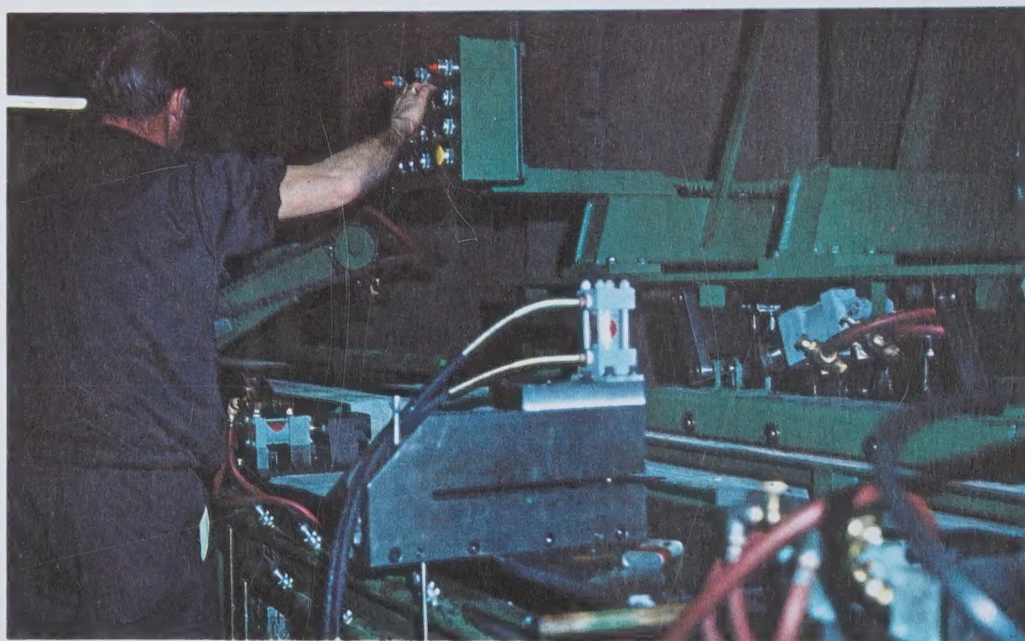


The Manoir group

The Manoir group consists of 14 Canadian-owned companies operating in Canada and the United States and embracing a wide range of activities. Manoir companies are active in manufacturing, distribution, imports and exports, communications, and service industries, and some of the group's endeavors are illustrated at right.

- 1 Production line at General Freezer turns out a complete line of home freezers.
- 2 Automated screening and monitoring equipment helps Comprehensive Distributors apply strict quality control on color commercials.
- 3 Tape duplication equipment at Los Angeles office of Teleprint. The Teleprint companies in the U.S. have been successful despite the stiff competitive nature of the market.
- 4 Television commercials are adapted and modified for the Canadian market by Comprehensive.
- 5 Fine dinner sets are imported from the Orient by Maso. The company handles more than 600 different items ranging from porcelain dinner sets to eggcups, from fondue pots to escargot forks.
- 6 Eastern Sound's digital recording console has more than a million audio paths, is unique in Canada.
- 7 Automated production line at General Freezer speeds production of home freezer units.
- 8 A large library of television commercials helps Comprehensive Distributors meet demands of its time-conscious customers.
- 9 Strict quality control of completed units is a key feature of the production line at General Freezer.

advertising



President's letter

During 1971, the Canadian Manoir Group once again achieved growth in both Revenues and Earnings. A brief summary is shown in the highlights at the right.

Internally generated Funds continued to show good growth. Cash Flow rose to \$1,032,821 compared to \$892,917 in the preceding year. This represents an increase of 16 per cent.

Working Capital increased by \$524,641 to \$2,452,439 from \$1,927,798 for an increase of 27 per cent.

Capital Expenditures during 1971 amounted to \$82,204. In contrast, we spent \$575,000 during 1970. Whereas 1970 was an unusually heavy year, 1971 was unusually light. During 1972, we anticipate expenditures of approximately \$125,000.

I am pleased to report that all operating subsidiaries, with the exception of the newly formed United States compressor sales organization, contributed to the income of the Group.

Although the year as a whole was satisfactory, the fourth quarter did not produce results in line with expectations. This was due to a number of negative factors such as the currency realignment, the 10 per cent surcharge imposed by the United States and the start-up expenses incurred in connection with setting up the compressor sales organization in the United States.

The relative stabilization of the currency situation has enabled us to formulate policies to deal with the effect of the devaluation of the United States dollar which, together with the elimination of the 10 per cent surcharge, contributes to our optimism for 1972, especially in the field of compressor sales in the United States.

During 1971, compressor sales in the United States amounted to only \$200,000. In January and February of this

year, sales are already at \$775,000. For the whole of 1972, we anticipate United States compressor sales to exceed \$3,000,000. All start-up expenses have been absorbed on an "as incurred basis," resulting in a loss in 1971. During 1972, this activity will make its contribution to the income of the Group.

The subsidiaries dealing with the People's Republic of China continue to be faced with an interruption of supplies due to changes in Canadian regulations. To date we have not been able to make any progress in resolving these difficulties with the respective Chinese State Trading Corporation. Despite assistance from representatives of the Federal Government, we are not in a position to predict how soon China will be able to produce merchandise in conformity with the new Canadian regulations. To offset this loss of revenue, purchases from other sources have been stepped up substantially and we anticipate the overall effect to be insignificant.

At this stage in the development of the Company, the Directors agree that it is inappropriate to institute a dividend policy. Under section 105 of the old Income Tax Act, payment of a stock dividend constituted the most beneficial method of placing dividends into the hands of the individual shareholder.

Total stock dividends paid during 1971 amounted to 35 cents per share. Ten cents per share was redeemed for cash in June, 1971. The Company has announced its intention to redeem a further 10 cents per share in June, 1972, and the balance of 15 cents per share in June, 1973. In order to enable the Company to pay these stock dividends, a total of \$101,198 was used to pay the required 15 per cent tax under Section 105 of the old Income Tax Act.

The Company negotiated a Long-Term Loan with its bankers in the amount of \$400,000. These funds were used to repay a convertible debenture in the amount of \$324,000,

HIGHLIGHTS

	UP	FROM	TO
Revenue	7.1%	\$11,964,205	\$12,808,707
Net Income	9.5%	747,907	819,125
Working Capital	27.2%	1,927,798	2,452,439
Earnings Per Share	11.1%	0.45	0.50
Equity Per Share	4.8%	1.67	1.75

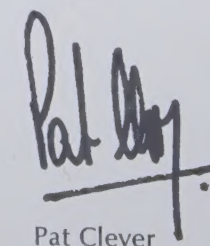
with the balance being used for the purchase of 6 per cent preferred shares.

During the year, the Company purchased for cancellation a total of 10,785 of its outstanding 6 per cent Cumulative preferred shares at an aggregate cost of \$100,633.

At the yearend, your Company had approximately 1,000 shareholders. 91.1 per cent of all shares were held in Canada and 8.9 per cent in the United States and other countries.

For 1972, we look for significantly increased revenues. As the operations contributing to this increase do not have the return on sales as some of our other operations, the overall return on sales will be somewhat diminished. However, the overall earnings of the Group are anticipated to grow substantially.

In all, we look towards 1972 with confidence, both in Canada and in the United States, a continuing upsurge in economic activity and consumer spending is anticipated and our companies are in a good position to capitalize on the opportunities that this creates.



Pat Clever

Consolidated Statements of Income

For the years ended December 31, 1971 and 1970

	1971	1970
REVENUE FROM SALES AND SERVICES	\$12,808,707	\$11,964,205
COST OF SALES AND SERVICES	8,771,019	8,211,935
Gross income	\$ 4,037,688	\$ 3,752,270
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,386,114	2,207,719
Income before provision for income taxes (Note 7)	\$ 1,651,574	\$ 1,544,551
PROVISION FOR INCOME TAXES (Note 1)	838,123	784,703
Income before extraordinary items	\$ 813,451	\$ 759,848
EXTRAORDINARY ITEMS (Note 6)	5,674	(11,941)
Net income for the year	\$ 819,125	\$ 747,907
EARNINGS PER SHARE (Note 5):		
Income before extraordinary items	\$0.492	\$0.455
Net income for the year	\$0.496	\$0.447
FULLY DILUTED EARNINGS PER SHARE (Note 5):		
Net income for the year	\$0.488	\$0.437

The accompanying notes to consolidated financial statements are an integral part of these statements.

ARTHUR ANDERSEN & Co.
CHARTERED ACCOUNTANTS

P. O. Box 29
TORONTO - DOMINION CENTRE
TORONTO 111

To the Shareholders of
Canadian Manoir Industries Limited:

We have examined the consolidated balance sheets of CANADIAN MANOIR INDUSTRIES LIMITED (a Canada corporation and formerly Manoir Industries Ltd.) AND SUBSIDIARIES as of December 31, 1971, and December 31, 1970, and the related consolidated statements of income, retained earnings, contributed surplus and funds for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and Subsidiaries as of December 31, 1971, and December 31, 1970, and the results of their operations and the source and application of their funds for the years then ended, in accordance with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

February 25, 1972.

Consolidated Statements of Retained Earnings

For the years ended December 31, 1971 and 1970

	1971	1970
BALANCE , beginning of year	<u>\$ 822,464</u>	<u>\$233,785</u>
DEDUCT:		
Dividends –		
6% Preferred shares (60¢ in 1971 and 1970)	\$ 6,925	\$ 15,228
1% Preferred share stock dividends (Note 4)	573,654	—
Tax paid under Section 105 of the Income Tax Act (Note 4)	101,198	—
Expenses re capital reorganization (Notes 4 and 5)	15,736	—
	<u>\$ 697,513</u>	<u>\$ 15,228</u>
ADD:		
Net income for the year	\$ 819,125	\$747,907
Transfer from (to) capital surplus, net (Note 4)	196,900	(144,000)
	<u>\$1,016,025</u>	<u>\$603,907</u>
BALANCE , end of year	<u><u>\$1,140,976</u></u>	<u><u>\$822,464</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Contributed Surplus

For the years ended December 31, 1971 and 1970

	1971	1970
BALANCE , beginning of year	<u>\$54,136</u>	<u>\$25,840</u>
ADD:		
Excess of par value of 6% preferred shares purchased over cost of purchases (Note 4)	7,217	28,296
Excess issuance price over par value of common shares issued under the provisions of the Stock Option Plan (Note 5)	1,950	—
BALANCE , end of year	<u><u>\$63,303</u></u>	<u><u>\$54,136</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Funds

For the years ended December 31, 1971 and 1970

	1971	1970
WORKING CAPITAL , beginning of year	<u>\$1,927,798</u>	<u>\$1,687,757</u>
SOURCE OF FUNDS:		
Net income for the year	\$ 819,125	\$ 747,907
Depreciation and amortization	198,264	145,010
Write-down of investment (Note 6)	15,432	—
	<u>\$1,032,821</u>	<u>\$ 892,917</u>
Issue of common shares (Note 5)	3,150	—
Other	2,248	2,200
	<u>\$1,038,219</u>	<u>\$ 895,117</u>
APPLICATION OF FUNDS:		
Additions to land, buildings, equipment and leasehold improvements, net	\$ 82,204	\$ 575,000
Decrease in long-term debt	17,250	27,000
Decrease (increase) in deferred taxes	8,288	(77,856)
6% Preferred dividends	6,925	15,228
Tax paid under Section 105 of the Income Tax Act	101,198	—
Redemption of preferred shares re stock dividend (Note 4)	163,844	—
Purchases of 6% preferred shares (Note 4)	100,633	115,704
Expenses re capital reorganization	15,736	—
Other	17,500	—
	<u>\$ 513,578</u>	<u>\$ 655,076</u>
Increase in working capital	<u>\$ 524,641</u>	<u>\$ 240,041</u>
WORKING CAPITAL , end of year	<u><u>\$2,452,439</u></u>	<u><u>\$1,927,798</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiaries

Consolidated Balance Sheets

December 31, 1971 and 1970

Assets

	1971	1970
CURRENT ASSETS:		
Cash and deposit receipts	\$1,090,721	\$1,010,071
Accounts receivable (Note 2)	1,739,755	1,757,989
Inventories, at the lower of cost or market (Note 2)	1,629,968	1,349,200
Prepaid expenses	169,642	83,189
Total current assets	\$4,630,086	\$4,200,449
INVESTMENTS, at cost (Note 6)	\$ 27,120	\$ 27,300
LAND, BUILDINGS, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost:		
Land	\$ 26,593	\$ 26,593
Buildings	576,060	567,701
Equipment	1,229,833	1,171,071
Leasehold improvements	313,504	308,792
	\$2,145,990	\$2,074,157
Less – Accumulated depreciation and amortization	861,996	674,103
	\$1,283,994	\$1,400,054
Approved on behalf of the Board: (Signed) Pat Clever, Director (Signed) Michael P. Pick, Director	\$5,941,200	\$5,627,803

Liabilities

	1971	1970
CURRENT LIABILITIES:		
Bank advances (Note 2)	\$ 561,264	\$ 370,784
Accounts payable and accrued liabilities	1,289,351	1,501,961
Income taxes	198,697	345,203
Estimated liability for warranties	35,085	27,703
Current portion of long-term debt (Note 3)	93,250	27,000
Total current liabilities	<u>\$2,177,647</u>	<u>\$2,272,651</u>
LONG-TERM DEBT , less current portion thereof included above (Note 3)	<u>\$ 320,000</u>	<u>\$ 337,250</u>
DEFERRED INCOME TAXES	<u>\$ 86,674</u>	<u>\$ 94,962</u>

Shareholders' Equity

Capital stock –

6% Cumulative preferred shares, par value \$10, redeemable at \$10.50; authorized and issued, less redeemed, 8,645 shares in 1971 and 19,430 shares in 1970 (Note 4)	\$ 86,450	\$ 194,300
1% Non-cumulative preferred shares, redeemable at par; authorized 1,650,000; issued 1,639,240 (Note 4) –		
Class A, par value 10¢	163,924	—
Class B, par value 15¢	245,886	—
Common shares, par value \$1.00; authorized 3,000,000; issued 1,639,240 shares in 1971 and 1,638,040 shares in 1970 (Note 5)	<u>1,639,240</u>	<u>1,638,040</u>
	<u>\$2,135,500</u>	<u>\$1,832,340</u>
Capital surplus , arising from redemption of preferred shares (Note 4)	17,100	214,000
Contributed surplus , per accompanying statements	63,303	54,136
Retained earnings , per accompanying statements	<u>1,140,976</u>	<u>822,464</u>
	<u>\$3,356,879</u>	<u>\$2,922,940</u>
	<u>\$5,941,200</u>	<u>\$5,627,803</u>
Equity per share of issued common shares (Notes 4 and 5)	<u>\$1.745</u>	<u>\$1.666</u>

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1971 AND 1970

1. PRINCIPLES OF CONSOLIDATION

(a) Consolidated Financial Statements

The Company's financial statements as of December 31, 1971 and 1970 are consolidated with those of its subsidiaries:

General Freezer Limited
Kates International Corporation Ltd.
Manoir Industries (Bahamas) Limited
Manoir International, Inc. (formerly Cinecraft, Inc.)
Maso Import Ltd.
Mouton Processors Limited
Syndicated Film Services Limited –
Atlas Customs Brokers Limited
Comprehensive Distributors Limited
Eastern Sound Company Limited
Teleprint of Chicago, Inc.
Teleprint of Los Angeles, Inc.
Teleprint of New York, Inc.

(b) Income Taxes

The Company provides for taxation on the basis of accounting income and also accrues for withholding tax on foreign income available for repatriation as it is earned.

(c) Conversion Rates for U.S. Subsidiaries

Conversion of the accounts of U.S. subsidiaries both during the years and at December 31, 1971 and 1970, was made at U.S. \$1.00 = Cdn. \$1.02.

2. BANK ADVANCES

The Company has a line of credit of \$2,400,000 (including long-term debt) (1970 \$1,450,000) secured by certain accounts receivable and inventories.

3. LONG-TERM DEBT

	1971	1970
Bank loan, bearing interest at 1¼ % in excess of prime bank rate, with a minimum rate of 7¾ %, repayable in five annual instalments of \$80,000 commencing July 2, 1972	\$400,000	\$ —
Owing to a shareholder – Serial debentures bearing interest at ½ % in excess of prime bank rate	12,000	24,000
Convertible debenture – \$300,000 bearing interest at 8½ % and \$24,000 bearing interest at 7½ %	—	324,000
First mortgage, bearing interest at 6%	1,250	16,250
	<u>\$413,250</u>	<u>\$364,250</u>
Less – Current portion payable within one year	93,250	27,000
	<u>\$320,000</u>	<u>\$337,250</u>

4. PREFERRED SHARES

In 1971 10,785 6% preferred shares and in 1970 14,400 6% preferred shares were purchased for cancellation in the open market for \$100,633 and \$115,704 respectively in accordance with Supplementary Letters Patent dated February 17, 1964, which require that a percentage of consolidated net income be used for such purchases.

The excess of par value of the shares purchased over cost, amounting to \$7,217 in 1971 and \$28,296 in 1970, has been credited to Contributed Surplus.

In accordance with Section 62(4) of the Canada Corporations Act, amounts of \$107,850 in 1971 and \$144,000 in 1970 representing the aggregate of par value of the shares purchased were transferred from Retained Earnings to Capital Surplus. Pursuant to Supplementary Letters Patent dated May 27, 1971, and December 21, 1971, authorized 6% preferred shares were reduced by 30,475 shares previously purchased for cancellation and \$304,750 of Capital Surplus was returned to Retained Earnings.

By Supplementary Letters Patent dated May 27, 1971, the authorized capital of the Company was increased by the creation of 4,700,000 1% non-cumulative, redeemable preferred shares of the par value of 10¢ each.

On June 1, 1971, the Directors of the Company approved the payment of a special tax of \$28,914 to create tax-paid undistributed income of \$163,844 under Section 105 of the Income Tax Act. 1,638,440 preferred shares were issued on June 24, 1971, to common shareholders of record at the close of business on June 10, 1971, and were immediately redeemed at par.

Pursuant to Supplementary Letters Patent dated December 21, 1971, the authorized capital of the Company was reduced by the cancellation of 3,061,560 unissued 1% non-cumulative, redeemable preferred shares of the par value of 10¢. In addition, the authorized capital of the Company was

increased by the creation of 1,650,000 1% non-cumulative, redeemable Class A preferred shares of the par value of 10¢ each and 1,650,000 1% non-cumulative, redeemable Class B preferred shares of the par value of 15¢ each.

On December 2, 1971, the Directors of the Company approved the payment of a special tax of \$52,319 creating tax-paid undistributed income of \$296,477 under Section 105 of the Income Tax Act. In addition, the Company received a tax-paid undistributed income dividend from one of its subsidiaries.

1,639,240 Class A preferred shares of the par value of 10¢ each and 1,639,240 Class B preferred shares of the par value of 15¢ each were issued on December 31, 1971, to common shareholders of record on December 28, 1971, on the basis of one Class A preferred share and one Class B preferred share for each common share held.

5. COMMON SHARES

(a) By Supplementary Letters Patent dated May 27, 1971, the common shares of the Company were consolidated on the basis of issuing four common shares of the par value of \$1.00 in exchange for ten common shares of the par value of 40¢ each.

(b) On April 24, 1970, the shareholders approved a Stock Option Plan pursuant to which 50,000 common shares of the Company are reserved for issuance upon the exercise of stock options granted to key officers and employees of the Company and its subsidiaries. Under the plan, the Directors, in 1970, granted options to purchase 35,400 common shares at a price of \$3.375 per share. 400 shares granted at this time were subsequently cancelled and in April, 1971, 400 optioned shares were issued for a cash consideration of \$1,350, leaving 34,600 shares in unexercised options.

In November 1971, the Directors cancelled the existing options and granted options to purchase 34,600 common shares at a price of \$2.25 per share. The options are for a term of five years from the date of issue and are to be exercisable on a cumulative basis. In December 1971, 800 optioned shares were issued for a cash consideration of \$1,800, leaving 33,800 shares reserved under options as of December 31, 1971.

(c) The earnings per share computations are based on the weighted average of common shares outstanding at the end of each month during the year, after giving recognition to the dividend requirements on the preferred shares.

Fully diluted earnings per share reflects the effect on earnings which would result if:

1. The stock options on the unexercised stock options had been exercised at the date that they were granted and the funds derived therefrom had been invested to produce an annual return of 7½% before provision for income taxes.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1971 AND 1970

2. The Convertible Debenture outstanding at December 31, 1970, had been converted into common shares at the beginning of 1970.

(d) Immediately prior to the distribution of the Class A and Class B 1% non-cumulative, redeemable preferred shares on December 31, 1971, as discussed in Note 4, the equity per share of issued common shares was \$1.995.

6. EXTRAORDINARY ITEMS

The extraordinary items included in the statements of income are:

	1971	1970
Reduction in income tax provision due to loss carry-forward from prior years	\$17,248	\$ —
Write-down of investment to market value less capital gains tax recoverable thereon	(11,574)	—
Loss on conversion of accounts of U.S. subsidiaries	—	(11,941)
	<u>\$ 5,674</u>	<u>\$(11,941)</u>

7. STATUTORY INFORMATION

The following items have been deducted in calculating income before provision for income taxes:

	1971	1970
Depreciation and amortization	<u>\$198,264</u>	<u>\$145,010</u>
Interest:		
Long-term debt	<u>\$ 30,332</u>	<u>\$ 31,328</u>
Other	<u>\$ 29,993</u>	<u>\$ 28,059</u>
Remuneration of Directors and Officers:		
As Directors, 5 in 1971 and 4 in 1970	<u>\$ 550</u>	<u>\$ 250</u>
As Officers, 3 in 1971 and 1970	<u>41,900</u>	<u>52,550</u>
	<u>\$ 42,450</u>	<u>\$ 52,800</u>

Three of the Officers were also Directors of the Company.

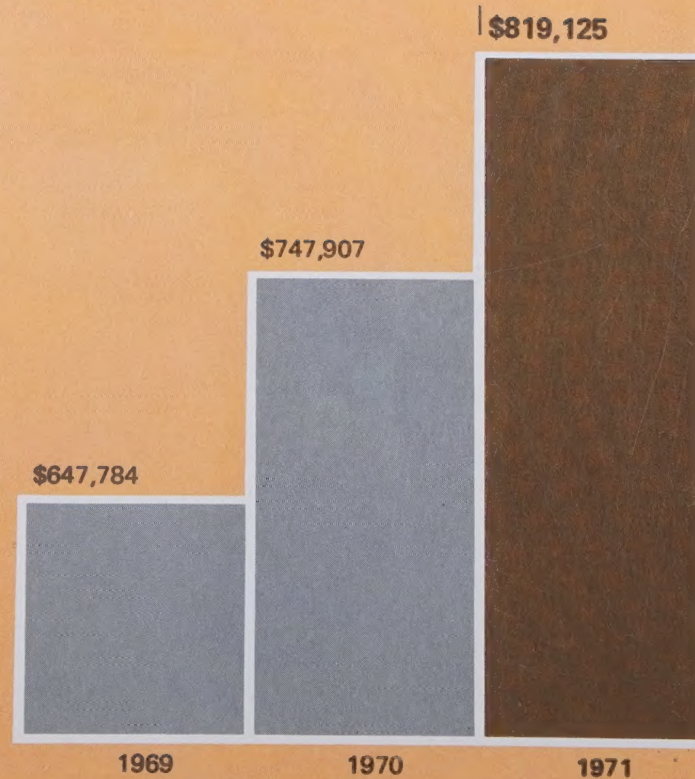
Three-year statistical review

	1969	1970	1971
Revenue	\$10,150,584	\$11,964,205	\$12,808,707
Net Income	647,784	747,907	819,125
Earnings per Share	\$0.382	\$0.447	\$0.496

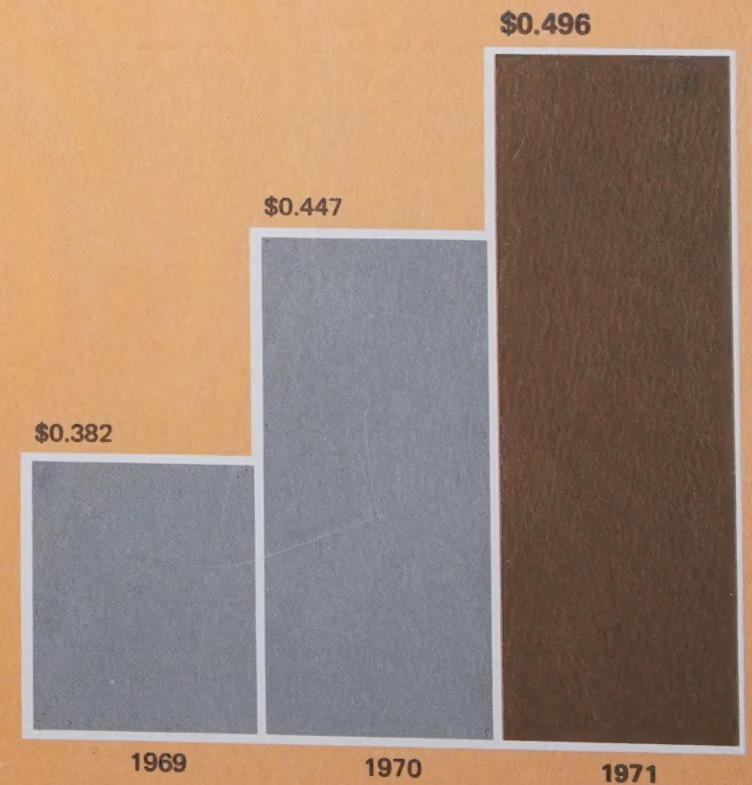
Revenue



Net Income



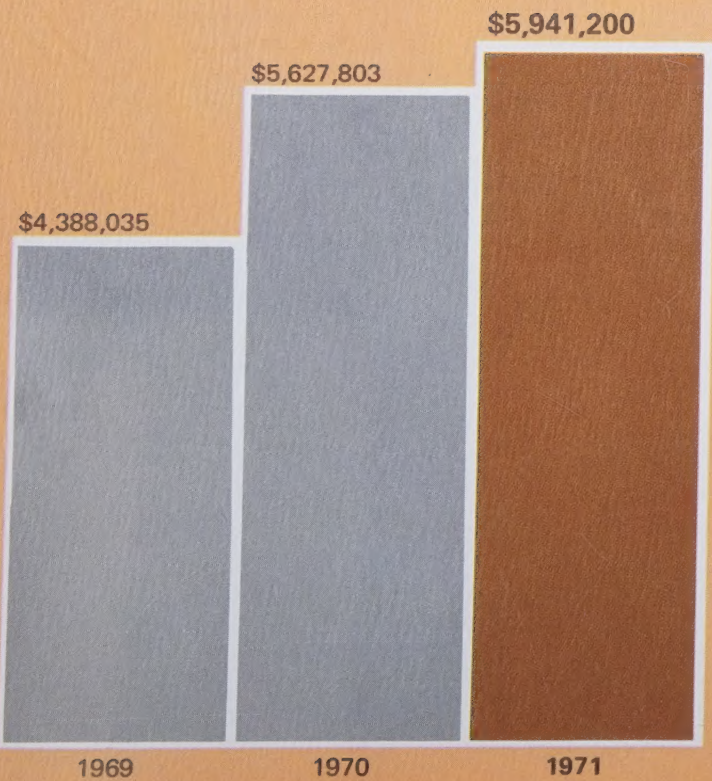
Earnings per Share



Three-year statistical review

	1969	1970	1971
Total Assets	\$4,388,035	\$5,627,803	\$5,941,200
Working Capital	1,687,757	1,927,798	2,452,439
Equity per Share	\$1.200	\$1.666	\$1.745

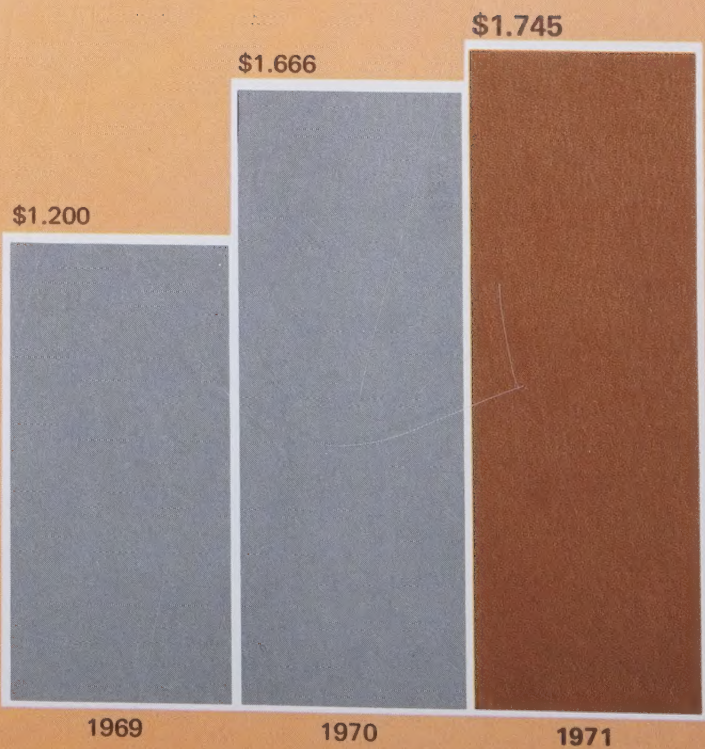
Total Assets



Working Capital



Equity per Share



Canadian Manoir

INDUSTRIES LIMITED

DIRECTORS

*T. H. Baker Toronto
Pat Clever Toronto
G. Grahamslaw Toronto
M. P. Pick Toronto
G. D. Scroggie Toronto*

OFFICERS

*Pat Clever President
G. D. Scroggie Secretary
G. Grahamslaw Treasurer*

BANKERS

*Toronto Dominion Bank Toronto
Royal Bank of Canada Toronto
Chase Manhattan Bank New York*

REGISTRARS

Canada Permanent Trust Company Toronto

TRANSFER AGENTS

Canada Permanent Trust Company Toronto

AUDITORS

Arthur Andersen & Co. Toronto

LAWYERS

*Fraser & Beatty Toronto
Byers, Casgrain & Stewart Montreal
Guggenheimer & Untermeyer New York*

SHARE LISTING

*The common shares of the Company are listed
on the Toronto Stock Exchange.*

